UMSHWATHI MUNICIPALITY
(KZN221)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2015

INDEX	Page
General Information	01
Accounting Officer's Report	03
Accounting Policies	04
Statement of Financial Position	22
Statement Of Financial Performance	23
Statement of Changes in Net Assets	24
Cash Flow Statement	25
Notes to the Annual Financial Statements	26
Appendix A: Schedule of External Loans	52
Appendix B: Analysis of Property, Plant and Equipment	53
Appendix C: Segmental Analysis of Property, Plant and Equipment	54
Appendix D: Segmental Statement Of Financial Performance	55
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	56
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	57
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	58

GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. N.M.N. Gabela

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

CATEGORY OF LOCAL AUTHORITY

CATEGORY TWO (2)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 8152249

MUNICIPAL MANAGER

Mr. N.M. Mabaso

CHIEF FINANCIAL OFFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.M.N. Gabela
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba
MAYOR	:	**Councillor B.M. Gwala**
DEPUTY MAYOR	:	**Councillor S.S. Zondi**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 53 were approved by the Municipal Manager on 31 August 2015 and presented to and approved by Council on 31 August 2015.

MUNICIPAL MANAGER
(Accounting Officer)
31 August 2015

CHIEF FINANCIAL OFFICER

31 August 2015

Accounting Officer's Report

As the accounting officer of uMshwathi Local Municipality, I am proud to present herewith the annual financial statement for the period ending 30 June 2015.

It is my view that the Annual financial statements fairly present the true financial position of the municipality and all the records to support the same are available for inspection.

I am of the opinion that based on the information provided to me by management and internal audit the systems of internal control provides reasonable assurance that the financial records may be relied upon for the preparation and submission of these annual financial statements.

I have reviewed the Municipality's cash forecast for the year ending 30 June 2015 and in light of this review and the current financial position I am satisfied that the Municipality has access to adequate resources to fulfil all its obligations as required by various provisions of legislations.

Mr. N.M. Mabaso
Municipal Manager

Date: 31 August 2015

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 13	Leases
GRAP 14	Events after Balance Sheet Date
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in the Financial Statements
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets
GRAP 104	Financial Instruments.

GRAP statements 4, 6, 7, 8, 10, 11, 14, 16, 100, 101 and 103 have not been implemented since they do not affect the operations of the municipality.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Revaluation Reserve

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of three years. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

7.1 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

7.2 TRADE CREDITORS

Trade creditors are stated at their nominal value.

7.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

9. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

10. REVENUE RECOGNITION

10.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

11. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

12. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Bank overdrafts are recorded based on the facility utilized. Finance changes on bank overdraft are expensed as incurred.

13 LEASES

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

14. IMPAIRMENT OF ASSETS

14.1 Cash Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is charged against the Revaluation Reserve to the extent to a previous revaluation surplus.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss
The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised against the Revaluation Reserve.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every

year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use
Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

Depreciated replacement cost approach
The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach
Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement
If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss
The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation
The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

15. EMPLOYEE BENEFITS

15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

15.2 Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

20. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 R	2014 R
ASSETS			
Non - current assets		163,876,581	135,161,603
Property , plant and equipment	6	163,480,160	135,161,603
Intangible Assets	7	396,421	0
Current assets		91,012,325	73,107,199
Receivables: Non-Exchange Transactions	8	40,411,798	33,362,621
Receivables: Exchange Transactions	8	35,899,117	27,942,052
Other debtors	9	2,525,710	2,543,861
Value added tax	5	6,496,773	3,789,134
Call investment deposits	10	5,150,866	4,746,605
Bank balances and cash	11/21	528,061	722,926
Total Assets		**254,888,907**	**208,268,802**
Non - current liabilities		10,938,826	15,764,011
Long term liabilities	2	10,139,012	14,730,238
Finance Lease Obligation	2	159,469	295,078
Non-current portion of Long Service Award Liability	3.1	640,345	738,695
Current liabilities		11,710,809	10,303,888
Creditors	3	7,836,754	7,853,704
Current portion of Finance Lease Obligation	2	132,066	119,460
Current portion of Long Service Award Liability	3.1	216,446	18,531
Unspent conditional grants and receipts	4	0	0
Current portion of long term liabilities	2	3,525,543	2,312,193
Total Liabilities		**22,649,634**	**26,067,899**
Net Assets		**232,239,273**	**182,200,903**
NET ASSETS			
Net assets		232,239,273	182,200,903
Housing Development Fund	1	2,816,730	2,818,678
Revaluation Reserve		4,614,902	4,614,902
Accumulated surplus		224,807,641	174,767,323
		232,239,273	**182,200,903**

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

BUDGET				ACTUAL	
2014 R	2015 R	REVENUE	Note	2015 R	2014 R
		Revenue from Non-Exchange Transactions			
23,300,000	25,500,000	Property rates	12	26,440,810	23,899,302
1,000,000	1,600,000	Property rates - penalties imposed and collection charges		1,700,128	1,325,643
800,000	750,000	Interest earned - external investments		1,021,014	846,781
7,500,000	11,000,000	Interest earned - outstanding debtors		12,781,975	8,179,537
51,000	101,000	Fines		71,119	59,707
65,740,000	76,922,000	Government grants and subsidies	14	73,922,000	65,775,000
22,376,000	31,279,000	Capital Funding		34,129,000	18,888,000
120,767,000	**147,152,000**			**150,066,046**	**118,973,970**
		Revenue from Exchange Transactions			
1,800,000	1,850,000	Service charges	13	1,832,570	1,801,290
200,000	280,000	Rental of facilities and equipment		398,016	199,718
2,150,000	2,100,000	Income for agency services		2,445,793	2,362,036
134,000	106,000	Other income	15	286,935	367,633
4,284,000	**4,336,000**			**4,963,314**	**4,730,677**
125,051,000	**151,488,000**	**Total Revenue**		**155,029,360**	**123,704,647**
		EXPENDITURE			
37,625,000	48,866,000	Employee related costs	16	46,151,277	37,642,745
8,059,000	8,020,000	Remuneration of Councillors	17	7,651,337	7,366,082
100,000	200,000	Collection costs		0	112,658
7,350,000	8,500,000	Depreciation		8,323,848	6,715,960
9,333,000	13,480,000	Repairs and maintenance		9,094,379	6,946,558
2,750,000	2,750,000	Interest paid	18	1,569,658	1,838,540
10,496,500	13,037,000	Contracted services		11,858,116	11,367,433
15,819,500	18,006,000	General expenses	23.7	15,527,671	14,382,967
200,000	500,000	Contribution to Reserves/Provisions		1,244,210	112,271
33,318,000	0	Contribution to Capital		0	0
125,051,000	**113,359,000**	**Total Expenditure**		**101,420,497**	**86,985,214**
-	**38,129,000**	**Surplus/(Deficit) for the year**		**53,608,863**	**36,719,433**

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus	Total
	R	R	R	R
Balance as per 30 June 2013	2,823,670.00	4,614,902.00	138,805,109	**146,243,681**
Surplus (deficit) for the year	(4,992)	-	36,719,440	36,714,448
Prior Year Adjustment	-	-	(757,226)	(757,226)
Original Balance as at 30 June 2014	**2,818,678**	**4,614,902**	**174,767,323**	**182,200,903**
Adjustment for Prior Year Adjustments			-	-
Restated Balance as at 30 June 2014	**2,818,678**	**4,614,902**	**174,767,323**	**182,200,903**
Surplus (deficit) for the year	-	-	53,608,870	53,608,870
Provision for Bad Debts	-	-	(3,568,547)	(3,568,547)
Old Suspense accounts reverse to Revenue			-	-
Balance as at 30 June 30 June 2014	**2,818,678**	**4,614,902**	**224,807,646**	**232,241,226**

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of Goods and Services		22,740,609	26,188,060
Grants		73,922,000	65,775,000
Interest Received		1,021,014	846,781
Other Receipts		34,129,000	18,888,000
		131,812,623	**111,697,841**
Payments			
Employee Costs		53,802,614	45,008,827
Suppliers		36,480,166	33,309,616
Interest Paid		1,569,658	1,838,540
		91,852,438	**80,156,983**
NET CASH FROM OPERATING ACTIVITIES		**39,960,185**	**31,540,858**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(37,038,826)	(24,544,844)
Proceeds from investments		404,261	(725,844)
NET CASH FROM INVESTING ACTIVITIES		**(36,634,565)**	**(25,270,688)**
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
Repayment of external loans		(3,377,876)	(5,837,090)
Repayment of finance lease obligations		(142,610)	(142,610)
NET CASH FROM FINANCING ACTIVITIES		**(3,520,486)**	**(5,979,700)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(194,866)**	**290,470**
Cash and cash equivalents at the beginning of the year		722,925	432,453
Cash and cash equivalents at the end of the year		528,060	722,925
		(194,866)	**290,470**

	2015 R	2014 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,816,730	2,818,678
	2,816,730	2,818,678
The Housing Development Fund is represented by the following assets and liabilities		
Housing rental and instalment debtors		
Debtors - Department of Housing	1,925,734	1,925,734
Bank and cash	165,332	165,332
Sub - total	727,612	727,612
Creditors	2,818,678	2,818,678
Total Housing Development Fund Assets and Liabilities	2,818,678	2,818,678
2 LONG TERM LIABILITIES		
Capitalised lease liability		
External loans	13,664,554	17,042,431
	13,664,554	17,042,431
Less current portion transferred to current liabilities	-3,525,543	-2,312,193
	10,139,012	14,730,238
External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A		
Finance Lease Obligation		
Minimum Lease Payment Due		
- within 1 year	157,386	157,344
- within 2nd and 3rd year inclusive	170,502	314,772
	327,888	472,116
Less future finance costs	(36,353)	(57,578)
	291,535	414,538

	2015 R	2014 R
Present Value of minimum lease payments		
- within 1 year	132,066	119,460
- within 2nd and 5th year inclusive	159,469	295,078
	291,535	414,538

The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance.
The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6

Net Long Term Liabilities

External Loans	10,139,012	14,730,238
Finance Lease Obligation	159,469	295,078
	10,298,481	15,025,316

3 CREDITORS

Trade creditors	2,995,576	3,755,934
Staff leave	2,622,938	2,402,894
VAT on Debtors	198,471	186,339
National Lottery	144,979	144,979
Unsallocated Receipts	72,254	0
Other creditors	1,440,132	1,363,559
Insurance Payment	362,404	0
	7,836,754	7,853,705

3.1 Provision for Long Service Award

Non Current Liability for Long Service Award	640,345	738,695
Current Liability for Long Service Award	216,446	18,531
	856,791	757,226

An actural valuation was done for the provision for Long Service Awards in terms of GRAP 25 and a liability raised accordingly.
The comparative amounts have been restated accordingly

	2015 R	2014 R
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional grants from other spheres of government	0	0
Total conditional grants and receipts	**0**	-
MIG		
Opening Balance	0	0
Received During the year	31,129,000	13,888,000
Expended During the year	-31,129,000	-13,888,000
Closing Balance	**0**	**0**
FMG		
Opening Balance	0	0
Received During the year	1,800,000	1,650,000
Expended During the year	-1,800,000	-1,650,000
Closing Balance	**0**	**0**
MSIG		
Opening Balance	0	0
Received During the year	934,000	890,000
Expended During the year	-934,000	-890,000
Closing Balance	**0**	**0**
DoE Funding		
Opening Balance	0	0
Received During the year	3,000,000	5,000,000
Expended During the year	-3,000,000	-5,000,000
Closing Balance	**0**	**0**

	2015 R	2014 R
General Grant		
Opening Balance	0	0
Received During the year	0	0
Expended During the year	0	0
Closing Balance	**0**	**0**
Housing Plan		
Opening Balance	0	0
Received During the year	0	0
Expended During the year	0	0
Closing Balance	**0**	**0**
5 VAT		
VAT refundable	6,496,773	3,789,134
	6,496,773	**3,789,134**

VAT is payable on the receipts basis

	2015 R	2014 R

6 PROPERTY,PLANT AND EQUIPMENT

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2014						
Cost	68,971,950	103,285,080	5,170,938	6,743,894	1,028,018	185,199,880
Accumulated depreciation - Cost	(11,658,476)	(32,131,476)	(2,084,930)	(2,900,926)	-1,262,469	(50,038,277)
	57,313,474	71,153,604	3,086,008	3,842,967	(234,450)	135,161,603
Acquisitions	5,762,902	4,711,923	1,631,169	850,020	117,706	13,073,719
Capital under construction	9,784,605	13,784,080				23,568,685
Disposal: Cost						-
Disposal: Depreciation						-
Depreciation						
- based on cost	(2,589,410)	(3,811,636)	(755,234)	(1,049,862)	(117,706)	(8,323,848)
Carrying value at 30 JUNE 2015						
Cost	84,519,457	121,781,083	6,802,107	7,593,914	1,145,724	221,842,285
Revaluation	-	-	-			-
Accumulated depreciation - Cost	(14,247,886)	(35,943,112)	(3,074,614)	(3,950,788)	-1,145,724	(58,362,125)
	70,271,571	85,837,971	3,727,493	3,643,126	0	163,480,160

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Furniture & Equipment	Vehicles	2015 R Machinery & Tools	2014 R Total
Carrying value at 1 July 2013						
Cost	68,796,303	80,908,770	3,377,999	6,707,696	864,267	160,655,036
Accumulated depreciation - Cost	(9,411,754)	(29,071,542)	(2,084,930)	(2,021,068)	-733,023	(43,322,318)
	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Acquisitions	175,647	10,225,667	1,792,939	36,197	163,751	12,394,201
Capital under construction		12,150,643				12,150,643
Depreciation						
- based on cost	(2,246,722)	(3,059,934)	-	(879,858)	-529,446	(6,715,960)
Carrying value at 30 JUNE 2014						
Cost	68,971,950	103,285,080	5,170,938	6,743,894	1,028,018	185,199,880
Accumulated depreciation - Cost	(11,658,476)	(32,131,476)	(2,084,930)	(2,900,926)	(1,262,469)	(50,038,277)
	57,313,474	71,153,604	3,086,008	3,842,967	-234,450	135,161,603

Refer to Appendix B for more detail on property,plant and equipment

	2015 R	2014 R
Assets Under Construction:		
D708	2,610,153	1,229,473
Dumela Bridge	0	562,986
D1006	589,125	576,462
D599	0	1,129,150
Upgrade of Upper Main Road - Trust Feed	1,732,141	0
Tarring of Thokozane Road	1,850,348	0
uMshwathi Ridge	3,853,399	0
Construction of Kwantanzi Rd	0	95,844
Internal Roads	1,547,062	0
D1012	0	450,574
Regravelling of Roads	0	1,063,064
Ndlavenleni Road	1,601,852	926,509
Okhalweni Road	0	598,650
Cool Air Bus Route	0	692,724
High Mast Lighting	0	31,132
Electrification	5,879,513	3,064,503
Thuthuka Training Centre	2,331,443	0
Sports Facilities	1,573,650	0
Community Hall Ward 5	0	219,166
Sxandini Sports Field	0	132,646
Nkwalini Sports Field	0	124,200
New Hanover Sports Field	0	17,640
Masijabule Sports Field	0	1,235,919
	23,568,685	**12,150,643**

Zero balances against projects indicate that those project that carried over from 2013 were completed during the 2014 year.

	2015 R	2014 R
7 INTANGIBLE ASSETS		
Software Licences and LAN Network		
Cost	321,844	321,844
Additions	396,421	
	718,265	**321,844**
Amortisation	-321,844	-321,844
Carrying Amount	**396,421**	**0**

The software and network is being amortised over 5 years being its useful life

8 CONSUMER DEBTORS

Balances at 30 June 2015	Gross balance	Provision for doubtful debts	Net balance
Receivables from Exchange Transactions			
Service debtors	3,583,791	-1,513,393	2,070,398
Housing	523,993		523,993
Sundry (Interest)	46,947,157	-13,642,431	33,304,726
	51,054,941	**(15,155,824)**	**35,899,117**
Receivables from Non-Exchange Transactions			
Rates	40,411,798	0	40,411,798
Total	**91,466,739**	**(15,155,824)**	**76,310,915**

Ageing

	Curent (0 - 30 days)	31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	Total
Receivables from Non-Exchange Transactions						
Rates	**3,017,662**	**1,888,849**	**1,693,596**	**1,585,915**	**32,225,776**	**40,411,798**
Agriculture	909,100	464,302	415,473	352,259	1,873,665	**4,014,798**
Commercial	265,847	147,471	63,122	50,077	1,310,048	**1,836,565**
Government	862,074	746,785	730,302	723,290	17,088,684	**20,151,135**

					2015 R	2014 R
Residential	980,641	530,291	484,699	460,289	11,953,380	14,409,299

					2015 R	2014 R
Receivables from Exchange Transactions						
Refuse Services and other	471,853	1,409,933	1,351,268	1,313,653	46,508,235	51,054,941
Commercial	27,757	10,052	7,797	6,954	179,928	232,487
Government	4,410	3,675	3,675	3,675	96,405	111,840
Residential	112,055	72,218	65,951	63,025	2,926,214	3,239,464
Mixed	327,631	1,323,988	1,273,845	1,239,999	43,305,689	47,471,150
						91,466,739

Balances at 30 June 2014	Gross balance	Provision for doubtful debts	Net balance
Receivables from Exchange Transactions			
Service debtors	3,094,507	-1,157,054	1,937,453
Housing	727,612		727,612
Other	35,707,210	-10,430,223	25,276,987
	39,529,329	**(11,587,277)**	**27,942,052**
Receivables from Non-Exchange Transactions			
Rates	33,362,621	0	33,362,621
Total	**72,891,950**	**(11,587,277)**	**61,304,673**

Ageing

	Curent (0 - 30 (	31 - 60 days	61 to 90 days	91 - 120 days	121 days and over	
Receivables from Non-Exchange Transactions						
Rates	3,268,155	1,765,923	1,809,996	1,567,707	24,950,840	**33,362,621**
Receivables from Exchange Transactions						
Refuse Services and other	694,693	1,826,144	1,061,141	1,034,634	34,912,718	**39,529,330**
						72,891,951

	2015 R	2014 R

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arreaars. An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered adequate since the bulk of the debtors are rates debtors and Government Departments. The amount owing by government departments is R 29 736738. debtors have not been discounted since interest is charged on arrear balalnces on a monthly basis.

Impairment loss on debtors is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

9 OTHER DEBTORS

District Municipality	404,245	404,244
Thokazane housing	1,438,745	1,438,744
Department of Housing	165,332	165,332
Debtors: Traffic Fines	22,014	17,623
Balance Brought Forward	17,623	0
Fines Issued	558,730	586,730
Payments Received	-65,450	-41,050
Impairment based on Historical payment rate	-488,889	-528,057
Accrued Interest	51,793	45,414
Unallocated Receipts	0	26,022
Other	443,582	446,482
Total other debtors	2,525,710	2,543,861
less: Provision for doubtful debts	-	-
	2,525,710	**2,543,861**

10 CALL INVESTMENT DEPOSITS

32 day/90 day deposits	5,150,866	4,746,605
	5,150,866	4,746,605

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

Bank	Account No.	2015 R Amount	2014 R
Standard	0536 -1443-4-14	14,449	13,839
Nedbank			
Investment 1	1461827	15,833	15,117
Investment 2	0635053	17,236	16,456
Investment 3	1679521	88,350	84,356
FNB			
Investment 1	62101572081	99,793	826,878
Investment 2	62101572172	108,189	102,935
Call Account	62101571710	525,828	232,750
Call Account: Housing	62214429799	66,207	63,854
Call Account		605,868	0
ABSA *			
Investment 1	20- 66260264	3,609,113	3,390,420
		5,150,866	**4,746,605**

* The ABSA investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

11 BANK BALANCES AND CASH

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	720,580	430,109
Cash book balance at end of year	525,731	720,580
Bank statement balance at beginning of year	661,347	380,093
Bank statement balance at end of year	476,955	661,347

	2015 R	2014 R
12 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES		
Actual		
Agricultural	8,193,052	7,405,530
Residential	6,528,793	5,901,241
Commercial	3,007,690	2,718,589
Public service infrastructure	7,195,759	6,504,098
State	1,515,517	1,369,845
Other		
Total assessment rates	26,440,810	23,899,302
Gross Rates	76,435,385	70,561,738
Rebates	(49,994,575)	(46,662,436)
Net Rates	26,440,810	23,899,302
Valuations as at 01 July 2012		
Agricultural	2,522,223,000	2,522,223,000
Residential	888,496,000	888,496,000
Commercial	261,436,000	261,436,000
Public service infrastructure	1,128,196,000	1,128,196,000
State	155,243,000	155,243,000
Other	82,963,000	82,963,000
Total property valuations	5,038,557,000	5,038,557,000
13 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES		
Refuse removal	1,832,570	1,801,290
	1,832,570	1,801,290

	2015 R	2014 R
14 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	69,377,000	61,423,000
Conditional grants utilised	38,674,000	23,240,000
	38,674,000	23,240,000
MSIG	934,000	890,000
FMG	1,800,000	1,650,000
Provincial Grant: Finance	-	35,000
Department of Public Works: EPWP	1,000,000	1,000,000
Department of Arts and Culture	811,000	777,000
Operational Conditional Grants	4,545,000	4,352,000
MIG	31,129,000	13,888,000
Department of Energy	3,000,000	5,000,000
Capital Conditional Grants	34,129,000	18,888,000
Total Conditional Grants	38,674,000	23,240,000
Refer Appendix F		
15 OTHER INCOME		
Fees: Photocopies	10,265	8,376
Fees: Rates Clearance	15,365	18,246
Library Fines	0	0
Interest: Current Account	39,120	39,736
Fees	3,650	8,473
Community Hall	46,379	39,504
Maintenance	169,778	195,252
Cemetery	2,377	4,970
Postal Service	0	53,075
	286,935	367,633

	2015 R	2014 R
16 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	34,084,424	27,716,065
Employee related costs - contributions to UIF,pension and medical costs	6,735,131	5,195,617
Travel,vehicle,accommodation,subsistence and other allowances	2,453,241	1,960,556
Housing benefits and allowances	103,031	91,860
Overtime payments	658,766	719,105
Bonus	1,731,704	1,184,223
Skills Levy/Bargaining Council	384,979	775,319
Sub-total	46,151,277	37,642,745
Less:Employee costs allocated to Property.Plant and Equipment		
Less:Employee costs included in other expenses		
Total employee related costs	46,151,277	37,642,745
There were no loans to employees.		
Included in Employee Related costs:		
Remuneration of the Municipal Manager		
Rremuneration - 7 months	272,315	235,333
Car allowance - 7 months	211,800	48,000
	484,115	283,333
Remuneration of the Chief Financial Officer		
Annual remuneration	687,788	644,057
Acting Allowance (Acting as MM for 7 months)	0	40,833
Bonus	15,000	15,000
Car allowance	130,174	120,000
Contributions to Medical and Pension Funds	943	943
	833,905	820,833

	2015 R	2014 R

Remuneration of other managers

30-Jun-2015	Technical Services	Corporate Services	Community Services
Annual remuneration	574,530	619,382	574,530
Acting Allowance (Acting as MM for 5 months)			53,000
Car allowance	173,000	128,148	173,000
Contributions to Medical and Pension Funds	0	0	-
	747,530	747,530	800,530
30-Jun-2014			
Annual remuneration	538,000	580,000	538,000
Acting Allowance			12,500
Bonus	0	0	-
Car allowance	162,000	120,000	162,000
Contributions to Medical and Pension Funds	0	0	-
	700,000	700,000	712,500

17 REMUNERATION OF COUNCILLORS

Mayor	739,363	698,694
Deputy Mayor	595,665	563,129
Speaker	595,665	563,129
Executive committee members	951,745	901,416
Councillors	4,768,899	4,639,713
	7,651,337	7,366,082

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

	2015 R	2014 R
18 INTEREST PAID		
External loans	1,535,321	1,794,676
Finance leases	34,337	43,865
	1,569,658	1,838,541

Operating Leases - Rental: Copiers

The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.

Operating Lease Commitments:		
- within 1 year	157,386	157,344
- within 2nd and 5th year inclusive	170,502	314,772
	-	-

19 PRIOR PERIOD ERRORS

20 CASH GENERATED BY OPERATIONS

Surplus (deficit) for the year	53,608,863	36,719,433
Depreciation	8,323,848	6,715,960
Contributions to provisions- non-current	1,244,210	112,271
Investment income	-1,021,014	-846,781
Interest paid	1,569,658	1,838,540
	63,725,566	44,539,423
Operating deficit before working capital changes	-23,765,381	-12,980,942
Change in Working Capital	39,960,185	31,558,481

21 BANK BALANCES AND CASH

Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Cash on Hand	2,330	2,346
Bank balances and cash	525,731	720,580

	2015 R	2014 R
	528,061	722,926

22 RELATED PARTY TRANSACTIONS

22.1 There were no related party transactions in the current year.

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

23 23.1 Audit fees

Amount paid current year	802,131	932,774

23.2 VAT

Opening balance	3,789,135	1,731,840
Current year output VAT	-1,153,798	-777,604
Current year input VAT	6,453,502	4,429,099
Amount paid - current year	-2,592,066	-1,594,199
Amount refunded by SARS - current	6,496,773	3,789,135
Amount due from SARS - included in debtors		

23.3 PAYE and UIF

Current year payroll deductions and Council UIF contributions	5,962,188	5,241,045
Amount paid - current year	5,962,188	5,241,045

		2015 R	2014 R
23.4 Pension and medical aid deductions			
Current year payroll deductions and Council contributions		6,870,328	3,957,134
Amount paid - current year		6,870,328	3,957,134
23.5 Councillors arrear consumer accounts			
No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2014			
23.6 General Expenses: Detail			
Advertisements	Contracted Services	253,027	315,850
EAP	Contracted Services	495,220	387,799
FBS & FBE	Contracted Services	1,277,662	1,209,205
Housing Plan	Contracted Services	142,635	199,500
Information Technology	Contracted Services	2,646,302	2,596,041
Insurance	Contracted Services	333,023	262,253
Internal Audit	Contracted Services	54,469	478,260
LED Projects	Contracted Services	1,292,226	895,285
Legal Expenses	Contracted Services	61,945	65,465
Plant Hire	Contracted Services	268,400	53,892
Postage & Stamps	Contracted Services	142,694	157,115
Pound	Contracted Services	380,250	363,360
Refuse Removal	Contracted Services	366,242	195,553
Rental: Copiers	Contracted Services	846,711	778,627
Security	Contracted Services	1,274,809	1,634,346
Subscriptions	Contracted Services	589,526	502,007
Town Planning	Contracted Services	54,869	100,725
Training	Contracted Services	1,151,368	991,487
Valuation Fees	Contracted Services	226,738	180,663
		11,858,116	**11,367,433**
Arts and Culture		406,819	111,286
Audit Fee: External		809,631	932,774
Bank Charges		81,899	72,890
Bursaries		128,405	190,401
Chemicals and Oil Dispersants		0	1,312

	2015 R	2014 R
Communication: Budget Process	146,472	187,657
Conferences & Semnars	524,279	267,680
Consulting Fees	123,267	27,946
Crime Prevention	0	14,050
HIV/AIDS	553,977	526,270
Hospitality/Mayor's Outreach Program	125,890	16,930
IDP Review	1,071,005	1,060,366
Law Enforcement	32,533	60,556
Levy Research	14,500	0
Materials	142,293	327,648
Pauper Burials	81,241	73,751
Printing and Stationery	533,054	455,301
Protective Clothing	336,550	0
Purchases: Electricity	1,151,882	1,095,581
Reference Books and Periodicals	4,104	0
Refreshments	194,017	162,833
Road Signs	54,604	5,932
Senior Citizens	270,030	119,376
Small Scale Disasters	191,265	70,893
Social Empowerment	374,695	321,715
Special Projects	258,440	498,089
Sports Promotion	914,968	887,321
Subsistance and Travelling	1,725,307	2,043,539
Sundries	13,727	11,557
Telephones	1,806,529	1,520,393
Tools	113	0
Transport/Vehicle Cost	2,019,878	1,955,409
Ward Committees	1,004,390	791,182
Woman Empowerment	241,161	730,635
Workmans Compensation	0	700
Youth Desk	190,747	340,993
	15,527,671	**14,882,967**
	27,385,787	**26,250,400**

	2015 R	2014 R

23.7 Bank Accounts held by the Municipality

Bank	Type	A/C No.	2015 Opening	2015 Closing	2014 Opening	2014 Closing
FNB - Primary Bank Account	Chq	62025459232	661,347	476,955	380,093	661,347
Standard Bank	Inv	0536-1443-4-14	13,839	14,449	13,144	13,839
Nedbank	Inv	1461827	15,117	15,833	14,562	15,117
Nedbank	Inv	0635053	16,457	17,236	15,852	16,457
Nedbank	Inv	1679521	84,356	88,350	81,256	84,356
FNB	Inv	62101572081	826,878	99,793	406,250	826,878
FNB	Inv	62101572172	102,935	108,189	11,072	102,935
FNB	Inv	62101571710	232,750	525,828	1,647,222	232,750
FNB	Inv	62214429799	63,854	66,207	61,907	63,854
FNB	Inv	74491854045	0	605,868	-	0
ABSA	Inv	20-6626-0264	3,390,420	3,609,113	3,221,173	3,390,420

24 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	17,158,515	11,988,616
	17,158,515	**11,988,616**
This expenditure will be financed from		
Revenue	0	1,831,054
Government Grants	17,158,515	10,157,562
	17,158,515	**11,988,616**

	2015 R	2014 R
- approved but not yet contracted for		
Infrastructure	14,424,000	17,500,000
Land and buildings	1,000,000	7,200,000
Community	12,340,000	4,000,000
Plant	1,500,000	2,000,000
Vehicles	2,000,000	1,000,000
Furniture and Equipment	1,000,000	1,000,000
	32,264,000	**32,700,000**
This expenditure will be financed from		
- government grants	26,764,000	28,698,000
Revenue	5,500,000	4,002,000
	32,264,000	**32,700,000**

25 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and theMunicipal Councillors'Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial acturial valuation. The last valuation was performed in 2010.

Current Year's Contribution	5,468,937	5,468,937

	2015 R	2014 R

25.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
25.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
25.1.3. the fund was thus 104,3% funded
25.1.4. the fund did not hold an investment reserve.
25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
25.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit.This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

25.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
25.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
25.2.3. the fund was thus 87,7% funded
25.2.4. the fund did not hold an investment reserve
25.2.5. the total contirbution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments.This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

	2015 R	2014 R

26 CONTINGENT LIABILITIES

The following cases are still pending involving the municipality:

Siyabonga Protection		
This is for an objection raised by Siyabonga Protection on the award of a security tender.	0	0
The matter will be prescribed in the 2014/15 financial year		

27 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has deveeloped a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk
The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Interest rate risk
As the municipaality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk
Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Note 28

IRREGULAR EXPENDITURE

The following is a list of expenditure for which there was a deviation from the normal SCM process in that three quotations or more were not received although three or more quotations were requested.

No.	Req.	Service/Goods	Contract Value	Contract Period	Name of Service Provider	Memo approved Y/N	Reason for deviation	Comments
1	15186	Procurement of Speed Camera (Laser Witness) for Traffic Department	195,000.00	Once off	Truvelo Manufactures (Pty) LTD	Y		Only supplier of the camera
2	16030	Procurement of 200 concrete road signs	57,000.00	Once off	LG Green	Y		
3	17711	6 X 100m Hosepipes, Wheelbarrows, Shovels, 18 X Gloves and 240 X Cements	31,382.16	Once off	Chivas Business Solution (Pty) LTD	Y	Y	
4	18610	Renovation of Moyamusha Creche in Ward 11	101,450.00	3 Months	Khulani Construction	Y	Y	
6	19503	Renovation of Mathulini Hall in Ward 5	150,039.00	3 Months	Ezakanyuswa Trading (Pty) LTD	Y	Y	
7	19094	Renovation of Thokozani Creche in Ward 1	99,815.00	3 Months	Ayanda Construction & catering	Y	Y	
8	18704	Hire of 28 Skips - size 4x7M3	196,072.41	3 Months	Wasteman KZN	Y	Y	
9		Conference package for MFMP & Leadership Training for employees	339,400.80	106 Days	Albert Falls Guest Lodge & Conference Center	Y	Y	
10	18932	Training for 6 Municipal Traffic Officers on Laser Witness Camera	21,500.00	2 days	Truvelo Manufactures (Pty) LTD	Y		Service provider is the supplier of the camera
11	18912	Catering for 150 people (Rice, Chicken & Beef Curry, 2 X Salads and 100% Fruit Juice)	12,000.00	Once off	Thulani & Ntokozo General Trading	Y	Y	
12	18973	Re-Design of the uMshwathi Municipality Website	20,132.04		Sigma Info Technology	Y	Y	
13	17676	1 x Full Soccer Kits (Navy & White), 1 X Full Soccer Kits Long Sleeve (White & Navy) and 1 X Full Netball Kits (Navy & White)	12,190.00	Once off	Poobie Naidoo's Sports Wholesalers CC	Y	Y	
14	17770	Catering for 140 People for one day (Training for Ward Committee)	14,700.00	Once off	Okhetheidle Trading (Pty) LTD	Y	Y	Caering was split over various caterers over the 5 days
15	17770	Catering for 140 People for two days (Training for Ward Committee)	27,440.00	Once off	Impangazitha Trading	Y	Y	Caering was split over various caterers over the 5 days
16	17770	Catering for 140 People for two days (Training for Ward Committee)	14,000.00	Once off	Ichibi Trading & Projects	Y	Y	Caering was split over various caterers over the 5 days
17	18962	Breakfast for 150 people for 2 Days (Sandwiches, Tea/ Coffee, Scones with Spreads and Juice)	15,750.00	Once off	Mthiya and Shozi (Pty) LTD	Y		The breakfast issue was decided on the day, after we have discovered that some people are taking medication in the morning and therefore we had to request the quote to one supplier.
18	18951	Lunch for 130 People (Rice, Chicken & Beef Curry, 2 X Salads and 100% Fruit Juice)	12,350.00	Once off	Mthiya and Shozi (Pty) LTD	Y	Y	
19	18834	Supply of 239 T-Shirts and 500 Foam Caps	20,040.00	Once off	Laduma Sport	Y	Y	
20	19043	13 X Shire Cirsten, 5 X 15mm Plastic Bib Taps and 22mm Plastic Bib Taps and 10 X 15mm CXMI Str Connector	22,969.29	Once off	Drakewoods PMB	Y	Y	Only two suppliers responded as the required items are no long produced.
21	17528	servicing of air-conditions in all municipal offices	28,910.00	Once off	Ndumiso Contractors and Air-conditioning	Y	Y	
22	18510	Service and Repair 4 gyro mowers	26,790.00	Once off	K & L Fabrication and Engineering	Y	Y	I requested the local supplier to come and service the machines, because that will cut transport costs, because these are big machines.
23	17819	Catering for Council meeting	10,800.00	Once off	Mthiya and Shozi (Pty) LTD	Y	Y	The amount increased due to change of menu from initial request refer to the new quotation from Mthiya and Shozi
			1,429,730.70					

Note 29

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	21,500,000	4,000,000	25,500,000	26,440,810		940,810	103.69%	122.98%
Service Charges	1,950,000	-100,000	1,850,000	1,832,570		-17,430	99.06%	93.98%
Investment Revenue	800,000	-50,000	750,000	1,021,014		271,014	136.14%	127.63%
Grants: Operational	73,922,000	0	73,922,000	73,922,000		0	100.00%	100.00%
Other Revenue	39,805,000	9,661,000	49,466,000	51,812,966		2,346,966	104.74%	130.17%
	137,977,000	**13,511,000**	**151,488,000**	**155,029,360**	**0**	**3,541,360**	**5.44**	**5.75**
Expenditure								
Employee Costs	43,076,000	5,790,000	48,866,000	46,151,277		-2,714,723	94.44%	107.14%
Councillor Allowances	8,020,000	0	8,020,000	7,651,337		-368,663	95.40%	95.40%
Depreciation	9,000,000	-500,000	8,500,000	8,323,848		-176,152	97.93%	92.49%
Interest Paid	2,750,000	0	2,750,000	1,569,658		-1,180,342	57.08%	57.08%
Repairs and Maintenance	13,480,000	0	13,480,000	9,094,379		-4,385,621	67.47%	67.47%
Other Expenditure	28,753,000	1,740,000	30,493,000	27,385,787		-3,107,213	89.81%	95.24%
Contribution to Reserves	200,000	1,050,000	1,250,000	1,244,210		-5,790	99.54%	622.11%
Contribution to Capital	32,698,000	-32,698,000	0			0		
	137,977,000	**-24,618,000**	**113,359,000**	**101,420,497**	**0**	**-11,938,503**	**6.02**	**11.37**
Surplus/Deficit	**0.00**	**38,129,000.00**	**38,129,000.00**	**53,608,863**	**0.00**	**15,479,863**		
Capital Funding Recognised (Included in Other Revenue)				34,129,000	Budgeted Surplus	38,129,000		
Internal Funding for Capex				2,909,826				
Total Capex				**37,038,826**				

APPENDIX A (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2015

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 30-Jun-13	Received during the year	Redeemed or written off during the year	Balance at 30-Jun-14
				R	R	R	R
ANNUITY LOAN							
FIRST NATIONAL BANK	2	Prime less 1,00 %	3/31/2018	6,559,033	0	1,099,587	5,459,446
DEVELOPMENT BANK	1	9,4 %	4/30/2020	10,483,397	0	2,278,288	8,205,109
TOTAL EXTERNAL LOANS				**17,042,430**	**0**	**3,377,876**	**13,664,554**

Note:

The investment with ABSA Bank (as per note 11) is ceded to DBSA as security for the loan taken.

APPENDIX B (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2015

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings											
Land	12,857,994				12,857,994	825,953			825,953	12,032,041	0
Buildings	60,093,916	5,762,902	3,905,093		69,761,910	10,832,523	2,589,410		13,421,933	56,339,977	13,020,000
	72,951,911	**5,762,902**	**3,905,093**	**0**	**82,619,905**	**11,658,476**	**2,589,410**	**0**	**14,247,886**	**68,372,018**	**13,020,000**
Infrastructure											
Electrification reticulation	13,983,180		5,879,513		19,862,692	0			0	19,862,692	3,000,000
Sewer reticulation	0				0	0			0	0	0
Construction works	85,321,939	4,711,923	13,784,080		103,817,942	32,131,476	3,811,636		35,943,112	67,874,830	22,470,000
	99,305,118	**4,711,923**	**19,663,593**	**0**	**123,680,634**	**32,131,476**	**3,811,636**	**0**	**35,943,112**	**87,737,522**	**25,470,000**
Other Assets											
Office and computer equipment	2,641,996	904,195			3,546,191	1,564,729	445,974		2,010,704	1,535,487	500,000
Furniture and fittings	2,390,024	726,974			3,116,998	973,448	309,260		1,282,708	1,834,289	500,000
Tools	71,889				71,889	68,257	117,706		185,963	-114,074	0
Motor vehicles and major equipment	6,743,894	850,020			7,593,914	2,900,926	1,049,862		3,950,788	3,643,126	1,000,000
Machinery	818,111	117,706			935,817	524,588			524,588	411,229	2,000,000
Air conditioners	138,920				138,920	78,658			78,658	60,262	0
Other	138,018				138,018	137,718			137,718	300	0
	12,942,851	**2,598,895**	**0**	**0**	**15,541,746**	**6,248,324**	**1,922,802**	**0**	**8,171,127**	**7,370,619**	**4,000,000**
Total	**185,199,880**	**13,073,719**	**23,568,685**	**0**	**221,842,285**	**50,038,277**	**8,323,848**	**0**	**58,362,125**	**163,480,160**	**42,490,000**
Intangible Assets											
Computer Software	321,844	396,421			**718,265**	321,844			**321,844**	**0**	
Total	**185,521,724**	**13,470,141**	**23,568,685**	**0**	**222,560,550**	**50,360,121**	**8,323,848**	**0**	**58,683,969**	**163,480,160**	

APPENDIX C (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2015

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	27,415,871	850,020			28,265,891	2,685,579	1,049,862		3,735,441	24,530,450
Finance and Admin	18,708,989	1,748,874			20,457,863	5,169,623	872,940		6,042,563	14,415,300
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	46,771,003	5,762,902	9,784,605		62,318,510	10,009,837	2,589,410		12,599,247	49,719,263
Public Safety	852,806				852,806	527,040			527,040	325,766
Waste Management	2,257,827				2,257,827	82,806			82,806	2,175,021
Road Transport	87,753,996	4,711,923	13,784,080		106,249,999	30,355,905	3,811,636		34,167,541	72,082,458
Other	1,366,569				1,366,569	1,134,668			1,134,668	231,901
	185,199,880	**13,073,719**	**23,568,685**	**0**	**221,842,285**	**50,038,277**	**8,323,848**	**0**	**58,362,125**	**163,480,160**
Intangible Assets	321,844	396,421			718,265	321,844			321,844	396,421
	185,521,724	**13,470,141**	**23,568,685**	**0**	**222,560,550**	**50,360,121**	**8,323,848**	**0**	**58,683,969**	**163,876,581**

APPENDIX D (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	2015			2014		
	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
Executive and Council	74,333,931	28,170,666	46,163,264	65,991,566	23,125,286	42,866,280
Finance and Admin	41,998,412	35,690,488	6,307,925	34,309,245	31,579,768	2,729,477
Community & Social Services	52,411	10,741,442	(10,689,031)	2,460,620	8,604,159	(6,143,539)
Public Safety	67,465	2,774,354	(2,706,890)	58,673	2,087,491	(2,028,818)
Waste Management	1,832,570	639,373	1,193,196	1,801,290	266,047	1,535,244
Road Transport	36,744,572	23,404,174	13,340,398	19,083,252	21,322,463	(2,239,211)
Sub - total	**155,029,360**	**101,420,497**	**53,608,863**	**123,704,647**	**86,985,214**	**36,719,433**

APPENDIX E (1) (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

REVENUE	2015 Actual R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of significant variances
Property rates	26,440,810	25,500,000	940,810	4	
Property rates - penalties imposed and collection charges	1,700,128	1,600,000	100,128	6	The large increase is due to the increase in rates debtors.
Service charges	1,832,570	1,850,000	(17,430)	(1)	
Rental of facilities and equipment	398,016	280,000	118,016	42	There was an increase in tenants taking up space at the Thusong Centre
Interest earned - external investments	1,021,014	750,000	271,014	36	Grant funds were invested for a longer period and the municipality received an additional 5.4 million rand for the MIG allocation
Interest earned - outstanding debtors	12,781,975	11,000,000	1,781,975	16	The large increase is due to the increase in debtors.
Fines	71,119	101,000	(29,881)	(30)	This is as result of non payment of traffic fines however this is a slight increase from the previous year.
Income for agency services	2,445,793	2,100,000	345,793	16	There is a steady increase in the intake of learner licences and driver licence renewals
Government grants and subsidies	73,922,000	73,922,000	-	-	
Other income	286,935	256,000	30,935	(12)	There was a major increase in hall hiring, interest on current account, Planning applications and once off service requests
DoE Funding	3,000,000	3,000,000	-	-	
MIG Funds	31,129,000	31,129,000	-	-	
Total Revenue	**155,029,360**	**151,488,000**	**3,541,360**	**2**	
EXPENDITURE	**2015 Actual R**	**2015 Budget R**	**2015 Variance R**	**2015 Variance %**	
Employee related costs	46,151,277	48,866,000	(2,714,723)	(6)	
Remuneration of Councillors	7,651,337	8,020,000	(368,663)	(5)	
Collection costs	0	200,000	(200,000)	(100)	Debt collection is being done inhouse
Depreciation	8,323,848	8,500,000	(176,152)	(2)	The budget for depreciation was over estimated.
Repairs and maintenance	9,094,379	13,480,000	(4,385,621)	(33)	Maintenance work budgeted for the current year was not completed and carried over to the next financial year
Interest paid	1,569,658	2,750,000	(1,180,342)	(43)	The budget for finance charges also included the repayment of capital
Contracted services	11,858,116	13,037,000	(1,178,884)	(9)	
General expenses	15,527,671	18,006,000	(2,478,329)	(14)	Certain expenditure that was budgetd for were not incurred.
Contribution to Reserves	1,244,210	500,000	744,210	149	The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.
Capital Contribution	0	0			
Total Expenditure	**101,420,497**	**113,359,000**	**(11,938,503)**	**(11)**	
Surplus (Deficit) for the year	**53,608,863**	**38,129,000**	**15,479,863**		

APPENDIX E (2) (Not Audited)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY.PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Under Construction R	2015 Total Additions R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of significant variances
Infrastructure		5,879,513	5,879,513	3,000,000	2,879,513		Carry over projects from 2014 were completed in the current year.
Construction works	4,711,923	13,784,080	18,496,003	22,470,000	(3,973,997)	(18)	Certain projects carried over from 2014 were completed in the current year and delays in projects due to objections and appeals on certain agendas
	4,711,923	**19,663,593**	**24,375,516**	**25,470,000**	**-1,094,484**		
Community Assets							
Buildings	5,762,902	3,905,093	9,667,994	13,020,000	(3,352,006)	(26)	There was a delay in the implementation of some of the projects
	5,762,902	**3,905,093**	**9,667,994**	**13,020,000**	**-3,352,006**		
Other Assets							
Office and accounting machines	904,195	0	904,195	500,000	404,195	81	Additional computer equipment was required required for new appointments and the Finance server had to be replaced
Furniture and fittings	726,974	0	726,974	500,000	226,974		New furniture was needed for various offices and the Thusong Centre
Machinery	117,706	0	117,706	2,000,000	(1,882,294)	(94)	The purchase of the grader was put on hold
Vehicles	850,020	0	850,020	1,000,000	(149,980)	(15)	
	2,598,895	**0**	**2,598,895**	**4,000,000**	**(1,401,105)**		
Total	**13,073,719**	**23,568,685**	**36,642,405**	**42,490,000**	**(5,847,595)**	**(14)**	

APPENDIX F to Annual Financial Statements as at 30 June 2015 (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2014	Received 2014/15	Expenditure 2014/15	Transfer 2014/15	Unspent balance at 30 June 2014	Compliance with grant conditions	Conditions of Grant
		R	R	R	R	R	YES/NO	
MIG	National Government	0	31,129,000	(31,129,000)	0	0	YES	Expenditure to be in terms of projects registered
MSIG	National Government	0	934,000	(934,000)		0	YES	Expenditure in terms of Activity Plan submitted
Dept. of Arts.& Culture	Dept. of Arts & Culture	0	811,000	(811,000)		0	YES	
Department of Energy	Department of Energy	0	3,000,000	(3,000,000)		0	YES	
Department of Public Works: EPWP	Dept of Public Works: EPWP	0	1,000,000	(1,000,000)		0	YES	
FMG	National Government	0	1,800,000	(1,800,000)		0	YES	Expenditure in terms of Implementation Plan submitted
		0	38,674,000	(38,674,000)	0	0		